

Transport Planning Society

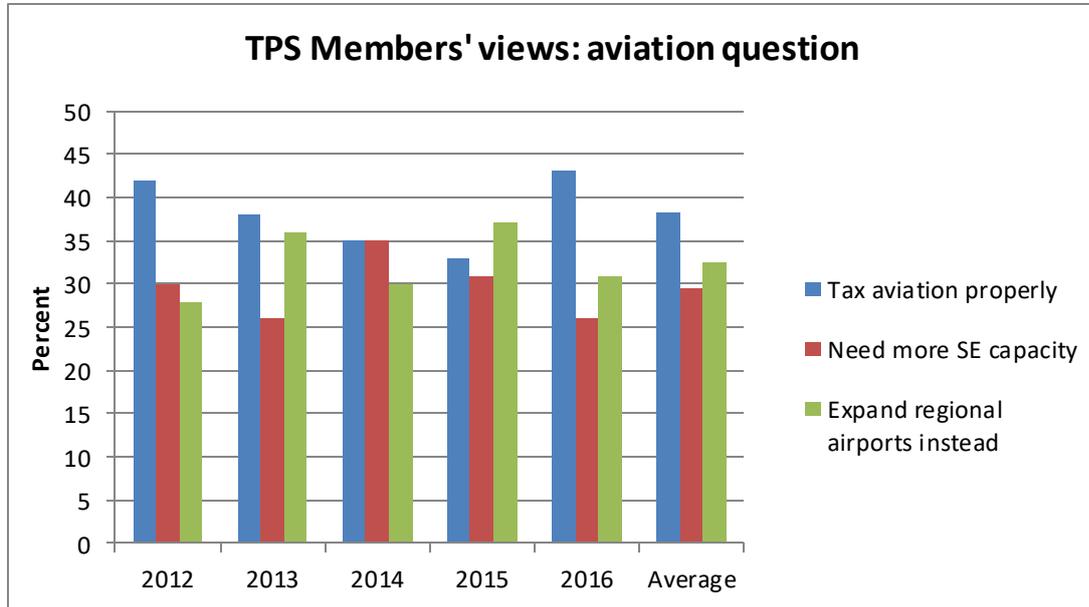
Submission by the TPS on the Revised Draft NPS on Heathrow Airport Expansion

Executive Summary

This submission builds on previous recent submissions by the TPS. The new part of this submission is set out in the final section as indicated.

Context

TPS is the leading professional body for transport planners and has a continuing interest in national transport policy including international gateways. The Society made a submission to the Davies Commission and has actively engaged its members in aviation policy through its surveys and events. For example, in the survey there was a division of view, with a minority supporting SE airport expansion, a slightly larger minority supporting regional airport expansion, and the most popular minority view wanting to change the charging system for air travel and only then reviewing demand and any expansion plans. Further details are set out in this submission and the summary chart is reproduced below.



The benefits and costs of air travel

There are clearly benefits from aviation and air travel, both in terms of generally being an outgoing nation socially and economically, of providing wider leisure opportunities than ever before, and in facilitating business travel including air freight. This requires the provision of infrastructure such as airports and, crucially, access to them. As with other modes of transport the relationships with land use planning and the third party costs (externalities) are hugely important. The unmet or partially

met environmental, safety and health costs are very high relative to user costs (fares and taxes). This makes both a full impact assessment, and a proper description of any expansion scheme, which includes all the ancillary infrastructure required to make it function, are critical to understanding whether investment will really achieve the social and economic benefits which are its aim.

For airports this is particularly complicated and needs to follow a clear process starting with a national framework which includes the issues of regional development and avoids special pleading. It needs to discuss rationally the economic pros and cons (for example outgoing tourism by air costs the economy, incoming tourism benefits it) and how air travel it should be taxed and charged for. Charges also have to properly address the significant (and well documented) externalities which, if ignored, will lead to major public disbenefits. These may well be unevenly distributed and not compensated for. Only when that is understood and made transparent can individual schemes be assessed and tested for their value for money.

The Society had hoped that the NPS would provide an opportunity for that framework to be put in place and a robust discussion held about how to charge for air travel and access to it, and how to balance provision across regions to support the economy. This is not easy but needs to be done.

Key issues for the current draft NPS

While we would have wished the original points we raised with the Commission (including those issues outlines above) to be covered in the NPS and the supporting documentation, this has not been done and we consider that there are major flaws in the assessment of the latest proposals for expansion at Heathrow. Above all there is a failure to use the NPS as a national policy statement and its misuse as an assessment of a nationally important, but individual, infrastructure scheme. The use of the NPS for this purpose is our view completely unjustifiable.

While maintaining this criticism of principle, there a significant number of more detailed issues and omissions which fall into two main groups. The first reflects the failure so far to set a proper framework and make a reasonable decision on whether capacity is needed and if so where. The second sets out the sort of conditions which would be needed, and the means of providing an absolute guarantee that they would be followed, in the event of proceeding with the Heathrow option.

Conclusions

In relation to the draft NPS:

- The NPS should not be used for the promotion of a single scheme in a single region, based on a Commission whose work was entirely focussed on the SE. A true national statement on aviation and airports is required before such schemes should go ahead.
- Thus the decision to expand at Heathrow lacks a rational policy framework for international transport gateways or for onward travel within the UK, both short and long distance.
- The analysis is weak and leaves too many questions unanswered to be confident that the decision is reasonable and will produce value for money.
- The regional development and demand management options are not properly considered.

In the context of Heathrow proceeding:

- There are major unanswered questions concerning the funding of the necessary support infrastructure and measures to mitigate environmental damage of all types.

- There appears to be no independent and secure mechanism to guarantee that the commitments on both the financial side and environmental limits will be met.
- There is no confidence that future commitments will be met, given the poor record at Heathrow and, for example, the inevitable tension between limits such as night flights and operational and commercial demands.

Recommendations

The current NPS should be withdrawn

The case for further expansion at Heathrow remains at best unproven and the Government should no longer favour it over other options which may be more deliverable and far better in terms of strategic and metropolitan planning, environmental, economic and financial terms.

A proper NPS should be developed with an effective, national strategy for airports which would identify those regions and areas where expansion is judged to be needed (including the SE) and are acceptable in strategic planning terms. This should then attract the individual developers to promote one or more schemes.¹

In the mean time the Government should further test and then introduce differential rates of air passenger duty (APD) in line with the levels explored in the HMRC study with the specific aims of:

- Supporting economic growth in the regions
- Encouraging use of direct flights from regional airports as an alternative to hubbing to the South East
- Addressing congestion at SE airports through regional development but also rationalisation
- Raising funds to mitigate the impact of existing airports especially Heathrow.

In the longer term APD should be converted to a charge which is flight related not passenger related in order to improve efficient use of existing slots.

From 2025 HGVs would be banned from the Heathrow area unless they were zero emissions.

If the Government proceeds with supporting Heathrow:

The night time restriction should be from 11pm to 7 am (based on the research which selected these times for the London Night and Weekend Lorry Ban) and complied with.

A system of automatic fines on Heathrow Airport should be introduced for any flight which violates the existing and proposed restrictions, sufficient to act as a real deterrent. Exception would only include bona fide emergencies, not scheduling failures or operational convenience. Revenue would be allocated for environmental mitigation.

The funds which are necessary to improve surface access should be deposited with an independent Heathrow infrastructure body in advance of construction and released by them to the relevant agency undertaking the work (for example TfL or Network Rail).

From 2020 HGVs would be banned from the Heathrow area unless they were zero emissions.

¹ It is interesting to note where the investment in SE airport expansion was planned before the break-up of the BAA "monopoly". A third runway at Heathrow was judged to be undeliverable compared to schemes at Stansted and Gatwick.

A workplace parking scheme/green travel bonus scheme as considered by BAA in 2003 should be implemented to encourage mode transfer for staff.

Introduction

The Society

The Transport Planning Society is an independent institutional body in the UK, established to facilitate, develop and promote best practice in transport planning and to provide a focus for dialogue between practitioners and others interested in the field. It is supported by four long established professional institutions – ICE, CIHT, CILT and RTPI - all of whom have an interest in transport planning as well as their own core activities.

The Transport Planning Society administers its own Professional Development Scheme for transport planners, leading to award (jointly with CIHT) of the Transport Planning Professional (TPP) qualification which is the only professional qualification uniquely aimed at transport planners. The Society has over 1400 individual members and 30 corporate members who provide transport planning services in the UK and elsewhere.

Every year we undertake a survey of our members' views on a range of matters including policy, and this informs all our work in the policy field, including this submission.

TPS always seeks an evidence based approach to transport planning, but also one which connects transport with land use planning and with the impact of communications on the demand for travel. TPS is the leading UK professional body which links these disciplines together. We consider that there is a positive role for new infrastructure but our responses to policy development reflect the fact that in the UK traditional transport infrastructure is already extensive, that the idea that building more of it, whatever the context, will automatically bring benefits is misplaced, and that there must be proper appraisal and scrutiny of the policy framework and any major projects. Too often this is not the case.

Thus in regard to the balance between new, mostly publicly funded, infrastructure and what we already have, our approach can be summarised as prioritising three key elements. In relation to existing networks these are: infrastructure **maintenance**, their efficient **management** (including demand management), and their **modernisation**, rather than untargeted expansion. This approach is just as true for other public networks such as water or energy. There are, of course, exceptions, for example the need to create a genuinely fast and reliable broadband network. In many situations this will be more cost effective in achieving transport aims than more traditional increases in the capacity to move goods or people, for example by reducing the need to travel and enabling new vehicle technology.

Finally it is the case that transport provision is accompanied by very high external costs such as carbon emissions, noise and local air quality. Of itself it influences land use and thus the need to travel. Finally its provision also influences behaviour – more of one type of infrastructure may well encourage more use of that type and in many cases a less efficient use.

Our position is that investment in new infrastructure should be considered within the wider context and not be automatically prioritised over revenue expenditure needed to maintain what we already have and to manage demand. In the case of Heathrow there are broader issues in terms of regional balance and where capacity should be provided, and in its impact, both positive and negative, on the economy. It is also the case that this major public/private project cannot succeed without the support of other major transport projects funded by the taxpayer.

TPS and the draft Heathrow NPS

This submission analyses the draft NPS from two viewpoints. The first is the lack of a clear policy framework for either long distance transport within the UK, and longer distance transport between the UK and other countries. Clearly both are connected, for example through the onward travel of people and goods from international gateways to final destinations within the UK. Freight transport is often underrepresented in planning and appraisal, although the inclusion of Strategic Rail Freight Interchanges (SRFIs) in national planning guidance is a very clear (and welcome) exception. At this strategic level it is clear that the emphasis on the South East, and London in particular, in Government thinking has created an in built bias towards airport capacity in these areas and a lack of consideration of alternatives, either managing demand or regional airport development. This clearly applies to the work of the Davies Commission, and was pointed out by TPS when it was set up. This also means that there is no sensible discussion of how international hubs are developing, and how they will affect the pattern of use of UK airports. Airline ownership across national borders is already influencing choice of hub, for example the IAG group is already rationalising its hub operations between Heathrow and Madrid, Dubai is already partly a hub for Europe (and already bigger than Heathrow). These fundamental flaws are set out more fully later in this response.

The second issue which we address is the question of the conditions which would have to be met if a properly taken and justified decision to expand Heathrow had been made, and how they would be enforced. This covers a range of practical issues such as the realism of a night time restriction on international flights, whether the hours suit the actual patterns of most people's sleep, how the surface access infrastructure is to be funded and operated, and what demand management will be applied to surface access for passengers, employees, and freight. This plays into the issue of how air quality can be improved from the current unacceptably damaging levels. Key to all of these is what will happen in the likely event that not all of the conditions, agreed actions, or financial contributions are met. Given the fact that the existing night time restriction does not seem to be applied at the stated hours, this is a major concern. Who will monitor the situation and what financial or other penalties are planned? How would a properly guaranteed enforcement regime influence private sector investors and operators?

There is another issue which is relevant whichever viewpoint is taken. It is that there are some serious disagreements between technical advisers to the different candidates for expansion, including Gatwick, Stanstead, Luton, and possibly Birmingham as well as Heathrow. This applies across the board but is particularly concerning in relation to economic benefits. These are often related to spending which in the absence of Heathrow expansion would occur in the locality anyway (deadweight) or take place elsewhere (displacement). In addition, there are both benefits and disbenefits, for example outbound tourism is a major contributor to the balance of payments deficit. Counting inbound tourism as a benefit without taking this into account is clearly not correct. In relation to testing different rates of APD to balance demand across airports, the test undertaken was totally inadequate and ignored an earlier test (by HMRC) of more realistic variations in the level and application of APD.

These issues are not, in our view, dealt with in the current draft NPS, and many failed to be in the work of the Davies Commission and need to be so before any proposal should be brought forward for further public scrutiny through the planning system.

Context: the original TPS submission

TPS responded to the Airports Commission in July 2013, attached to this submission as Annex 1. The key overall points were:

- There is need for a clear national policy for aviation within a long distance travel/gateway policy framework, not in isolation and not solely focusing on the South East.
- Surface access issues (local and national) are crucial and need to be considered in relation to a long distance travel framework for the UK, Europe, and beyond.
- It is a subject where there is no consensus view on some of the facts and this needs to be facilitated by Government.
- The evidence base is obscured by powerful lobbying and the Government's role should be to set out the facts clearly.
- Environmental issues are very important, particularly at Heathrow, which has a far worse noise problem than any other airport in UK or elsewhere in Europe. Air quality is of course of equal concern around Heathrow.

In addition, more detailed issues were identified as follows:

- The majority of aviation travel is for leisure purposes
- The air tourism deficit is a serious matter and must be objectively considered
- There is a significant negative impact of air freight on domestic production (for example agriculture in UK and Europe)
- Account must be taken of the lost tax revenue from the particular VAT position of air travel.

TPS also identified some key questions which the Commission should consider:

- Is the hub and spoke approach still appropriate as air travel has grown (is the traditional US model outdated)?
- If hubs are needed, can there be more than one in the UK or indeed within a single wider Metropolitan area? How does this relate to regional growth?
- If a European level hub is needed, is it likely that a UK SE airport could fulfil this role?
- If a hub is critical for city growth (as said in the draft framework), why should it be located in the SE?
- How can we better measure the real costs of the nuisance and damage caused by aviation. This includes the use of noise contours and the Heathrow issue – the problem is very plain in published documentation including last year's draft framework.
- Why is air travel (a facilitating good) seen as crucial to economic growth in preference to more direct ways to facilitate growth?
- What are the tax losses from the current taxation framework, and how does this inhibit economic growth?
- Do transfer passengers support a wider range of routes at hubs or do they impose more costs than benefits?
- Why is surface access by sustainable modes not a sufficient priority, indeed a condition, of airport expansion?

It is clear to TPS that few of these questions have been answered in the current Draft NPS. This is reflected in our members' views reported below.

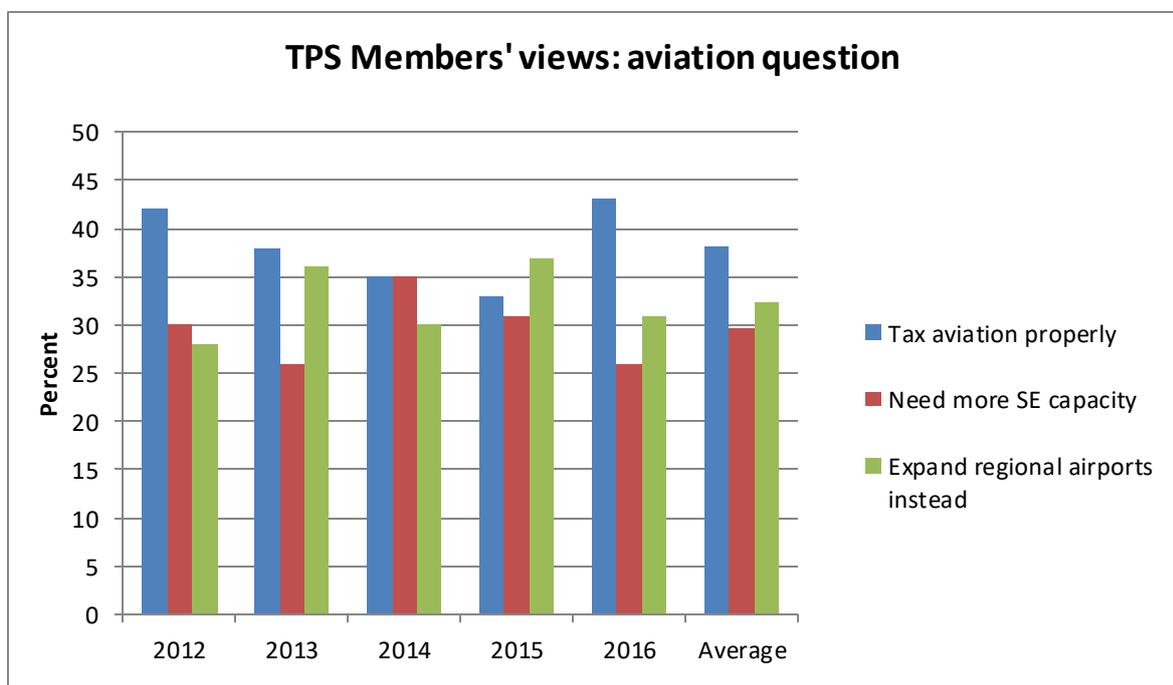
TPS Members' views

We reported the results of our annual member survey which contains a number of questions including one on aviation for the first time in 2012. This has been repeated in each year since. The question is:

“Aviation policy is a major focus for the UK Government. In this context, which of the following is closest to your view.

- *South East England airports are reaching capacity and must be expanded.*
- *Airport investment should focus in the regions to support growth there and not in the South East.*
- *If air travel were taxed at the same rate as other goods, or to fully reflect its environmental impacts, demand would fall and new capacity would not be needed.”*

The results since 2012 are set out below.



Note: respondents by year were: 202, 220, 215, 251, 228.

Overall this shows a division of opinion, with support for expansion, particularly in the regions, but no majority for expanding SE airport capacity. It should be noted that we did not ask our members about their preference for the location of new SE capacity.

However, a TPS event was held in September 2013 with representatives from all major options for airport expansion, and a proponent of demand management, and notes of that event are attached as Annex 2. It concluded:

“The competitive nature of the bids to be the London UK hub airport was very clear, to the extent that rivals are now taking the opportunity to attack each other’s cases. In this adversarial context there are some major demand questions which remain unclear..... The main rivals seem to share a belief that a single London-based hub is essential, but more analysis is needed to see whether a more diverse but integrated approach would be more equitable both in terms of the environment and regional balance within the economy.”

Key issues for the NPS

While we would have wished the original points we raised with the Commission to be covered in the NPS and the supporting documentation, this has not been done and we consider that there are still major flaws in the assessment of the latest proposals for expansion at Heathrow. Above all there is the failure to use the NPS as a national policy statement and its misuse as an assessment of a nationally important, but individual, infrastructure scheme. The use of the NPS for this purpose is in our view completely unjustifiable.

Given this criticism of principle, the more detailed issues and omissions fall into two main groups. The first reflects the failure so far to set a proper framework and make a reasonable decision on whether capacity is needed and if so where. The second sets out the sort of conditions which would be needed, and the means of providing an absolute guarantee that they would be followed, in the event of proceeding with the Heathrow option.

Flawed decision making: key omissions and uncertainties

- Related to the above, the unprecedented use of the NPS procedure whereby HMG is "consulting" on a single scheme NPS at the same time making it clear that the scheme is the Government's preferred choice.
- No national and international "strategic fit" analysis (as required in most major scheme appraisals).
- Opaque base for comparisons - what would be needed for a "expansion with no environmental/congestion deterioration" option (after allowing for predicted technological improvement)? Could it be achieved?
- No modelling of the impact of a realistic demand management option (either on grounds of congestion or environmental cost), despite the 2012 HMRC findings².
- Insufficient detail on the exact flight paths to be used and thus the real impacts
- Insufficient detail on the infrastructure requirements and their implications and some conflict: mention is made of the statements by HAL of modal share for public transport and that road traffic and congestion levels should be no worse than now yet reference is made to a major new section of the M25. Modal share requirements need to be aspirational and stretching, a specific requirement and enforced.
- Lack of clarity over the cost and who pays for the total infrastructure costs.
- Insufficient detail on how to tackle road congestion with only vague statements such as "Additional investment in widening, or effective policy measures such as a congestion charge, may, however, be needed to address congestion issues following expansion."³
- No evidence based analysis of the night flight ban –for example the London Lorry Ban ends at 7 am based on surveys of when Londoners wake up. The current one ends too early and in any case is not enforced.

² This modelled a 50% increase in Heathrow APD and this caused a 22% decrease in APD paying passengers. The Commission modelled a 10% increase at congested airports (mainly Heathrow and Gatwick) with reductions elsewhere to be revenue neutral. This led to a 1% increase in passengers at Heathrow and a 17% fall at Gatwick. There were significant increases at Luton and Stansted. This appears to be a key piece of evidence for deciding to increase SE runway capacity.

³ Davies Commission Final Report, page 23

- No public confidence in the air quality analysis – as TPS said in its original submission the need to demonstrate independence is key.
- The economics case used via the Davies Commission was highly novel and yet this has clearly influenced HMG to favour London Heathrow.
- On alternatives, it appears that, during the consultation, DfT have ruled out a rail scheme to enhance the Brighton corridor via Gatwick and has now announced an outline proposal to build a new orbital road scheme which will support Heathrow by relieving the SW sector of the M25. This is clearly premature given that consent has not yet been given and is in danger of prejudicing that decision.
- There appears to be no thought about resilience in terms of diversity of provision. It seems high risk to put so many eggs in the same basket at London Heathrow when strategic planning, over-heating West London, and security risks are properly taken into account.
- No clear analysis of the disadvantage to other regions from a single SE hub, only some promises about domestic flights to Heathrow, simply creating further congestion.

Weaknesses in the conditions imposed in the event of Heathrow expansion proceeding

- As well as the impacts, the noise and AQ commitments have not been secured financially. What sort of guarantees can these be when taking into account funding uncertainties from the promoters and the financial and project risk?
- It appears that the costs to the public purse of the off-site transport infrastructure is likely to be huge and disruptive (see TFL's work) and the promise of funding from the developer is small. We are told that this will be subject to negotiation yet the scheme is proceeding before this is settled. This is wrong in principle for a privately led scheme and a serious funding gap remains.
- No full costing for the promoters of the changes needed to improve surface access and for demand management of private transport for employees as well as passengers⁴.
- Weaknesses in the analysis and assessment of Heathrow Airport's ability to meet the targets set in the NPS⁵.
- High level of uncertainty and inadequate impact assessment in relation to the disruption cost and capital cost of constructing a runway over the M25.
- Separate from the guarantees required for the finance for measures to mitigate impacts, no robust mechanism has been defined to monitor impacts and then to enforce action in the event that the targets for noise, emissions, air quality and congestion are not met⁶. Who would be responsible?
- There should be a requirement that there is no increase in traffic volumes on the road networks with a focus on a substantial improvement in the modal share of public transport with major new investment in it paid for by Heathrow Airport Limited.

⁴ The NPS needs to be much stronger on funding of surface access schemes by the Airport. The wording in the draft is very vague about funding contributions for, for example, rail access schemes. However, the expansion can only really happen with these schemes to meet NPS targets and the Airport will profit from expansion so it does not make sense for the taxpayer to foot the bill.

⁵ This needs to be based on recent observed data and forecasting work undertaken to current DfT appraisal standards.

⁶ If Heathrow is to be expanded, clear and irrevocable conditions need to be set if Heathrow does not meet the targets, which means effective monitoring should also be in place.

- There is no separate analysis of the impact of increased freight movement, particularly on local air quality. This should lead to a freight demand management plan, including restrictions on HGV types – ULEV HGVs should be mandatory for the Heathrow area.
- An inadequate risk analysis of the increased probability of an air traffic accident over the highly populated flight paths. Is mitigation possible?
- It is clear from statements made that current environmental conditions (noise, pollution etc.) will deteriorate in much of west and south London and beyond, with traffic volumes rising resulting in demands for more road building; a sixth terminal is proposed with all the consequences that will result in and much of the costs of this will inevitably end up borne by the public purse. This should be included fully in the impact assessments.
- There is a clear need to follow and create best practise in the whole area of NPSs – what sort of precedent does this set for the future?

Conclusions

In relation to the draft NPS:

- The NPS should not be used for the promotion of a single scheme in a single region, based on a Commission whose work was entirely focussed on the SE. A true national statement on aviation and airports is required before such schemes should go ahead.
- Thus the decision to expand at Heathrow lacks a rational policy framework for international transport gateways or for onward travel within the UK, both short and long distance.
- The analysis is weak and leaves too many questions unanswered to be confident that the decision is reasonable and will produce value for money.
- The regional development and demand management options are not properly considered.

In the context of Heathrow proceeding:

- There are major unanswered questions concerning the funding of the necessary support infrastructure and measures to mitigate environmental damage of all types.
- There appears to be no independent and secure mechanism to guarantee that the commitments on both the financial side and environmental limits will be met.
- There is no confidence that future commitments will be met, given the poor record at Heathrow and, for example, the inevitable tension between limits such as night flights and operational and commercial demands.

Recommendations

The current draft NPS should be withdrawn

The case for further expansion at Heathrow remains at best unproven and the Government should no longer favour it over other options which may be more deliverable and far better in terms of strategic and metropolitan planning, environmental, economic and financial terms.

A proper NPS should be developed with an effective, national strategy for airports which would identify those regions and areas where expansion is judged to be needed (including the SE) and are

acceptable in strategic planning terms. This should then attract the individual developers to promote one or more schemes.⁷

In the mean time the Government should further test and then introduce differential rates of air passenger duty (APD) in line with the levels explored in the HMRC study with the specific aims of:

- Supporting economic growth in the regions
- Encouraging use of direct flights from regional airports as an alternative to hubbing to the South East
- Addressing congestion at SE airports through regional development but also rationalisation
- Raising funds to mitigate the impact of existing airports especially Heathrow.

In the longer term APD should be converted to a charge which is flight related not passenger related in order to improve efficient use of existing slots.

From 2025 HGVs would be banned from the Heathrow area unless they were zero emissions.

If the Government proceeds with supporting Heathrow:

The night time restriction should be from 11pm to 7 am (based on the research which selected these times for the London Night and Weekend Lorry Ban) and complied with.

A system of automatic fines on Heathrow Airport should be introduced for any flight which violates the existing and proposed restrictions, sufficient to act as a real deterrent. Exception would only include bona fide emergencies, not scheduling failures or operational convenience. Revenue would be allocated for environmental mitigation.

The funds which are necessary to improve surface access should be deposited with an independent Heathrow infrastructure body in advance of construction and released by them to the relevant agency undertaking the work (for example TfL or Network Rail).

From 2020 HGVs would be banned from the Heathrow area unless they were zero emissions.

A workplace parking scheme/green travel bonus scheme as considered by BAA in 2003 should be implemented to encourage mode transfer for staff.

⁷ It is interesting to note where the investment in SE airport expansion was planned before the break-up of the BAA "monopoly". A third runway at Heathrow was judged to be undeliverable compared to schemes at Stansted and Gatwick.

Annex 1

Transport Planning Society

TPS response to the Davies Commission on long term proposals

Background

1 The Transport Planning Society (TPS) is setting out its views on long term proposals, but these relate to the creation of a proper framework for aviation investment and management. This should of course be related to an overall strategy for long distance transport, but there is no clear Government statement on this subject at present. Thus TPS is not supporting a particular level and location of demand, and thus a particular location and level of capacity which might be required. Our key point is that such basic inputs to the planning process cannot be made while aviation does not pay its external costs generally, and in particular in relation to carbon. In this context other domestic long distance modes, including coach, rail and car, pay fuel duty (although it is lower for rail). Aviation pays none, although this is claimed to be the result of the Chicago Convention. Air passenger duty in part compensates for this – suggestions for its removal in this context are therefore strongly opposed. However it could be reformed and extended. The key issue therefore is whether the Commission will be able to address these issues of demand in a rational manner before moving to specific competing, and often high profile, claims for major infrastructure investment.

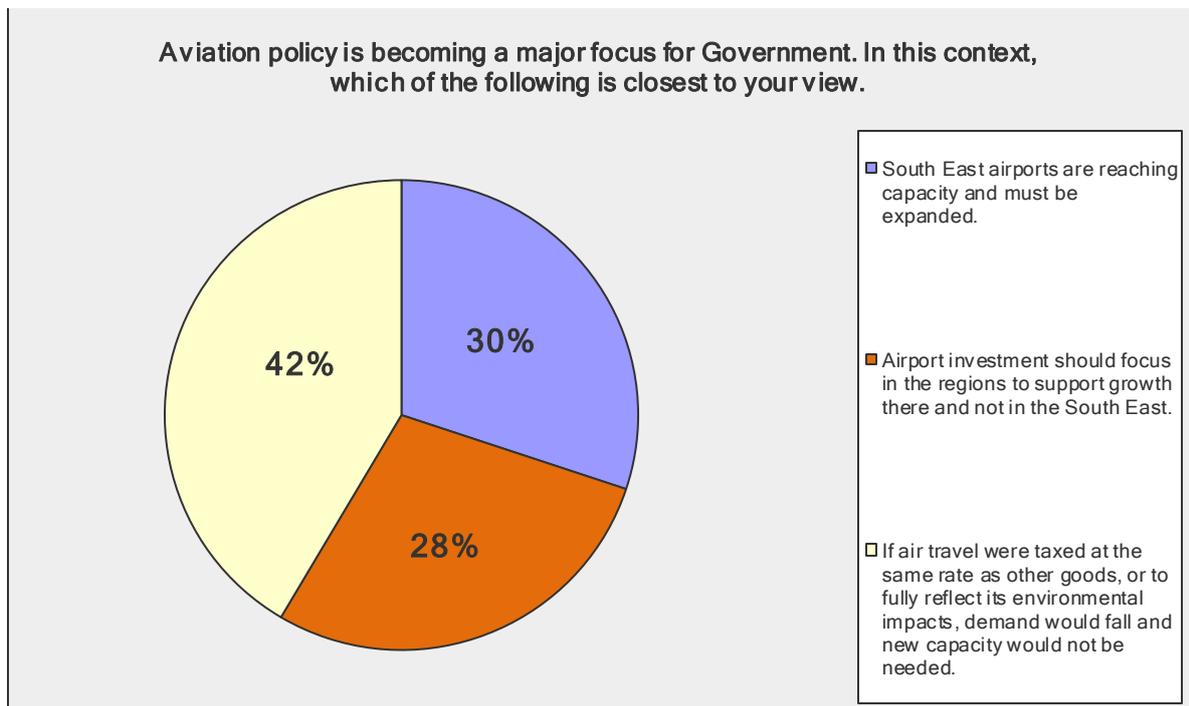
2 TPS has previously set out its views on this subject as follows:

- There is need for a clear policy for aviation within a long distance travel/gateway policy framework, not in isolation.
- Surface access issues (local and national) are crucial and need to be considered in relation to a long distance travel framework for the UK, Europe, and beyond.
- It is a subject where there is no consensus view on some of the facts and this needs to be facilitated by Government.
- The evidence base is obscured by powerful lobbying and the Government's role should be to set out the facts clearly.
- Environmental issues are very important, particularly at Heathrow, which has a far worse noise problem than any other airport in UK or elsewhere in Europe.

TPS members' views

3 In terms of increasing revenue for transport nationally, increasing the scope and level of aviation charges, together with road user charging, has been first or second priority in our annual member survey for the last 3 years. These are normally undertaken in September/October each year.

4 Last year we asked a specific question on the aviation framework which informed our response to DfT. Results are set out below.



Source: TPS Member Survey 2012, final results

Comments on the long term approach required

5 It seems to be assumed that all major proposals must be for new capacity. We are neutral on this point until the effects of air travel meeting its true cost is reflected in overall demand. For example, we would like it confirmed that the Commission will examine the level of demand for both “hub” business traffic and how changes in demand for leisure demand determines the space for such travel. Leisure is 75% of aviation users (Source: CAA 2011 passenger survey).

6 We not see in Government policy to date an adequate understanding of how a long distance travel framework might influence demand for air travel. We recognise that aviation has a special role in providing international gateways, but this must also distinguish between European and longer distance destinations. This is particularly important in relating policies for High Speed rail (not just HS2) and understanding its potential role in the UK and for European travel.

7 We also wish to make the point that on rail and air transport issues we consider that consultation by fixed questions generally leads to bias and should not be used without independent assessment.

8 There is a need for scrupulous approach to evidence and analysis, some key areas are as follows:

- The majority of aviation travel is for leisure purposes
- The air tourism deficit is a serious matter and must be objectively considered
- There is a significant negative impact of air freight on domestic production (for example agriculture in UK and Europe)

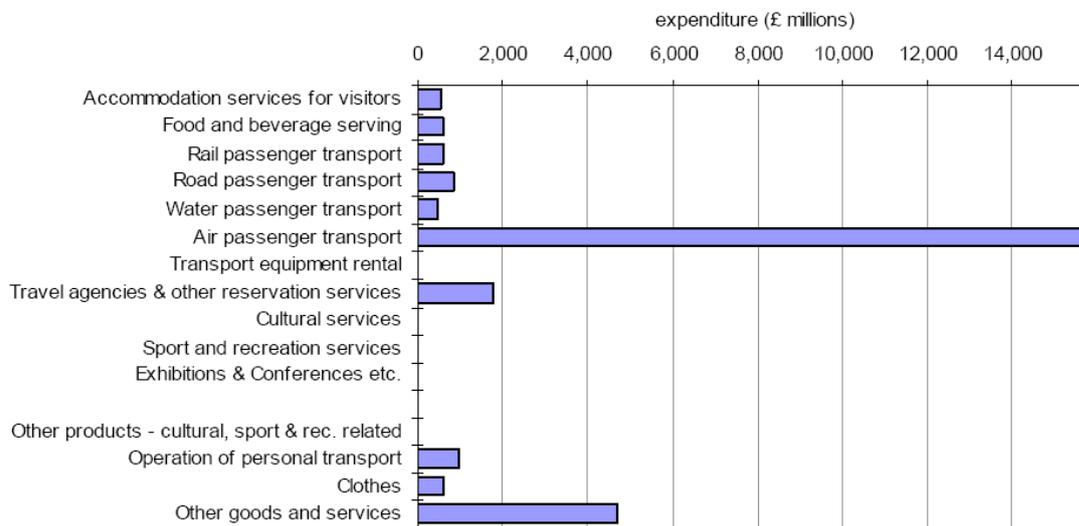
- Account must be taken of the lost tax revenue from the particular VAT position of air travel.

This is not always the case. An example is the Government and industry’s view on the tourism deficit. It is said that high street spending is boosted as a result of people flying abroad – by £27billion a year in para 2.9 of the Government Framework Consultation. This is simply not correct. Apart from the fact two different references are used in the same paragraph the £27billion includes the cost of the air fares, which are the majority - £15.9billion. This is clear from the actual ONS source for this figure (*The Economic Importance of Tourism. The UK-TSA for 2008*). It includes spending on clothes and other items, and, as one would expect, people actually spend more abroad on such items than before they go.

9 There is a second problem with this, in that about 30% of the cost of flights is the fuel, and nowadays the UK is a net importer so this really should not be counted as a balance against foreign spending. Equally, the payments for air fares to foreign companies via travel agents or brokers (specifically shown in the data) should not be counted. This of course should be balanced by payments from foreign tourists to UK airlines.

10 The conclusion of the draft framework, that the issue is complex is correct. The conclusion that it is probably beneficial and therefore not going to be considered further is not correct and is a serious failing. No sensible framework should proceed without fully considering this issue and making all the facts clear to people reading the document. For completeness, we reproduce the table from the reference referred to in the draft framework, but not shown in that document.

Figure 3.4 Domestic outbound tourism expenditure in the UK by product 2008



Sources: International Passenger Survey 2008, Morgan Stanley survey of airport spend 2005, Household Final Consumption Expenditure 2005-2008

11 In this context, it is important to distinguish between the aviation industry (which builds aeroplanes), and the air travel industry. Within air travel it is also important to distinguish between

business travel and leisure travel. The draft framework seems to conflate these and confuses rather than clarifies the issue.

Unanswered questions

12 There are several operational and technical issues which also need to be considered further, and we presume will be a key part of the Davies Commission. For example:

- Is the hub and spoke approach still appropriate as air travel has grown (is the old US model outdated)?
- If hubs are needed, can there be more than one in the UK? How does this relate to regional growth?
- If a European level hub is needed, is it likely that a UK SE airport could fulfil this role?
- If a hub is critical for city growth (as said in the draft framework), why should it be located in the SE?
- How can we better measure the real costs of the nuisance and damage caused by aviation. This includes the use of noise contours and the Heathrow issue – the problem is very plain in published documentation including last year’s draft framework.
- Why is air travel (a facilitating good) seen as crucial to economic growth in preference to more direct ways to facilitate growth?
- What are the tax losses from the current taxation framework, and how does this inhibit economic growth?
- Do transfer passengers support a wider range of routes at hubs or do they impose more costs than benefits?
- Why is surface access by sustainable modes not a sufficient priority, indeed a condition, of airport expansion?

Way forward

13 Our conclusions on the draft framework are that it fails to clarify the issues or provide a road map for the future. However, there are some general points to be made about the next steps in the essential process of developing an aviation framework, and then a strategy.

- We support an independent review, but it must have a full remit.
- This remit must include the consideration of surface access, and the associated environmental problems, the Heathrow area is again a stand out problem in this regard.
- We would support the approach of fully inclusive multi-interest meetings.
- We think the Government should identify if there is a need for any further evidence or analysis, and how to ensure this has the confidence of the public and not just the aviation industry.

14 We also consider that the framework should address the issue of Air Passenger Duty (APD). This is criticised by the air travel industry, but is at least easy to understand and simple to collect. It does have the perverse effect of making flights with fewer passengers, and empty seats, pay less tax.

15 The current position is, however, distorting both passenger and freight markets, and thus has negative effects on the wider economy. Replacing APD with a charge per plane, related to

maximum permitted take-off weight (a known figure for every aircraft: MPTOW) plus existing APD bands, would be a simple improvement and must take into account air freight. At one point the Government appeared close to making such a reform. However, we would wish to see a proper review of the many possibilities for bringing air travel into a financial regime which addresses these imbalances.

16 Among these we include the assessment of:

- The lost tax revenue caused by the beneficial VAT position of air fares.
- How greater taxation of air travel could benefit the economy, for example by reducing business taxes elsewhere.
- The benefits of removing distortions caused by the undervaluing of environmental damage.
- The impact of a noise charge imposed on flights in relation to the number of people affected.
- The impact of a future Congestion Charge on to reflect the stress caused on air and surface transport systems.

The latter two would have important regional effects in making airports outside the South East more attractive and allowing the market to create a wider range of services from elsewhere in the UK. This might help to address the question of whether a single UK airport hub is the most efficient way forward.

17 Overall there appears to have been little thought so far on how to address these problems and we consider that it is sound economics to do so. Only then can sensible, cost effective improvements to infrastructure be planned and executed.

18 We hope that the Davies Commission will take such an approach, and would be happy to help in whatever way we can, including engaging with the transport planning profession in a less adversarial manner than is usually the case with the proponents of different “magic bullet” solutions.

19th July 2013

Annex 2

Note of the TPS Aviation Event

Chair: Nick Richardson. Speakers: Professor Sir Peter Hall (University College London), John Stewart (HACAN Clear Skies), Simon Baugh (Director of Media and Public Relations, Heathrow), Daniel Moylan Transport for London Board and Mayor's Aviation Advisor), Tim Hawkins (Corporate Affairs Director for Manchester Airports Group) and Sir Terry Farrell (Terry Farrell and Partners).

Overall the event speakers set out clearly the fiercely contested battle ground between those competing to be the new or expanded UK hub airport, together with a critique of the Heathrow option from an environmental point of view, and a plea for a bit more lateral thinking, including possible multiple hubs, from Sir Terry Farrell.

Chair's Introduction

Nick Richardson referred to the TPS response to the Davies Commission and the powerful lobbying that was taking place. He emphasised the lack of detailed analysis of the surface access requirements of any airport expansion and the problems this caused, both in terms of congestion and pollution. He pointed out that 42% of TPS members had supported the idea of taxing aviation properly first, and then understanding what demand would be. He hoped that there would be a rational review of this before any decisions were taken by Davies.

Presentations

The event began with Sir Peter Hall's support for a new airport to the east of London describing how the Mayor's Peer Review Group had assessed each option. Interestingly, he was of the view that the two Estuary options and Stansted achieved very similar scores against the Group's objectives. Some of the journey times to and from the airport options were clearly station specific and aroused questions later in the event, as well as opposition from those supporting the roles of Heathrow and Gatwick. He was in favour of a single hub option for the UK and that it should be a London airport. He pointed to BA hubbing out of Madrid. He thought moving Heathrow was quite feasible, pointing to Hong Kong as an example of a total move.

Sir Peter was followed by John Stewart (HACAN Clear Skies) who covered political aspects, especially those at Heathrow. He pointed out that 28% of all the people affected by airport noise in Europe were affected by Heathrow, quieter planes might reduce total numbers but they would remain huge. He pointed to continuing breaches of air pollution standards in the area from air and surface transport, and the fact that expansion at Heathrow made it less likely at other airports. His conclusion was that Heathrow expansion was politically impossible, but that views on alternatives even within HACAN were split – some wanted an eastern solution (as Peter Hall) but some were worried about the wholesale removal of Heathrow.

Appropriately the case for Heathrow followed, with Simon Baugh stressing the need for a single hub, and to build on the established popularity of the airport. He pointed to the huge population to the west of London as well as London itself, with 200 of the top 300 companies within 25 kilometres of Heathrow. He pointed to faster, cheaper delivery for expansion rather than relocation - £14-18 billion as opposed to £96 billion for an estuary option. He outlined new runway options which

removed some of the previous problems, and that a new five step noise strategy would be implemented to reduce impacts from the present levels.

The next contributor, Sir Terry Farrell working with Gatwick Airport, balanced this by suggesting that too much emphasis was being placed on a “grand projet” approach and that a more diverse, incremental policy would be more flexible and cheaper. He pointed out that a very large metropolis such as New York or Tokyo worked on a multi-hub basis, and that planning should reflect the provision of rail and metro links and the potential for integrating a number of airports. He pointed out the mistakes of predict and provide in relation to London’s Ringway proposals of the 1970s and called for a different policy based on balanced and integrated networks rather than a one off mega-solution. Some of the proposals, for example moving Heathrow, would he believed need near-despotic powers.

Although Tim Hawkins was from the Manchester Airport Group, they had just purchased Stansted and he focussed on its claims to be the new London hub. He pointed to the previous seven years of uncertainty over ownership as holding back growth there, now it was resolved new routes and airlines were already locating at Stansted. He pointed out that a lot of work had been done in relation to the 2008 planning application for expansion, and MAG was enthusiastic about the new Stansted London hub proposal. He felt that this was now being taken seriously and was becoming an attractive alternative to both an estuary- or Heathrow-based approach. MAG also had extensive experience of air freight operations through its running of East Midlands airport.

Finally Daniel Moylan, with a mixture of humour and high ambition, tried to enthuse the audience for a radical rethink and support an new hub airport in the Thames Estuary. He pointed out that the many portraits of great engineers looking down on us from the walls of the ICE would wonder why we had so little confidence. He said that aviation mattered – it was not just “tacky holidaymakers” – 55% of exports by value were by air. He challenged the view that flying should be taxed “air passenger duty is VAT” and “why tax connectivity?”. He thought Heathrow could not provide good service if it ran so close to capacity and that spare capacity should be built in to the new hub airport. He attacked Stansted for being underused and unpopular and doubted whether BAA investors would be willing to pay for a new runway. He did not think we needed a UK despot to organise the removal of Heathrow and said it would become a prime site for housing and other development.

Discussion

These presentations were very much focussed on London issues partly because of the commonly held belief that a single large hub was needed for the UK. In this case everyone seemed to agree that it would have to be London. Only Sir Terry Farrell challenged this view and still focussed a multi-hub capital city. There was also very little analysis of demand and how this was influenced by the economy and taxation policy. While European hub airports (and others such as Dubai) were seen as a threat the issue of how they would develop and how that would influence UK airport demand did not seem to have influenced the rival promoters’ thinking.

Questions started with a heated disagreement about whether it was practical to move Heathrow – asked whether there was a feasible plan it was clear that this was a future stage, as the questioner said “the answer is there is no plan”. Unsurprisingly the Heathrow speaker said the move was

“fantasy”, while Stansted’s representative thought it should be explored in Davies Commission Phase 2.

A group of questions focussed on the conflict between “grand projets” and the sophisticated network approach suggested by Sir Terry Farrell. It was clear that the two approaches were so different that there was very little understanding between them. John Stewart pointed out that if the EU ever managed to implement common aviation taxes this might influence not just the level of demand, but its origins and destinations, and thus the airport requirements.

This led to a number of questions on climate change, which all the hub promoters claimed would see a major improvement under their scheme compared to the others. Heathrow in particular said that the hub should be closest to the largest population, and Sir Terry Farrell agreed that the estuary proposals had additional travel distances and times which had been underestimated. He thought the carbon costs of moving Heathrow and the new construction would be a major problem. John Stewart’s view was that the Committee on Climate Change had fudged the issue of aviation emissions and this lack of clarity had led to everyone claiming they could meet the carbon reduction targets.

Final questions raised issues which were considered to be critical for aviation policy. One was the need to consider the use of other hubs outside the UK, partly related to where the partners in the new global airlines were based (Madrid and Iberia/BA being an example). At the other end of the scale it was felt by several speakers that regional airports were undervalued and that the creation of a single London hub would undermine regional economies. Related to this was the possibility for a multi hub approach which could use regional airports as part of national framework. It was questioned whether freight even needed to be located at the same airport as a passenger hub.

The competitive nature of the bids to be the London UK hub airport was very clear, to the extent that rivals are now taking the opportunity to attack each other’s cases. In this adversarial context there are some major demand questions which remain unclear. One example is the location of business users and the surface links to any proposed hub, the other is how much demand is price sensitive and would be affected by tax changes, possibly in the context of EU carbon and air pollution targets. The main rivals seem to share a belief that a single London-based hub is essential, but more analysis is needed to see whether a more diverse but integrated approach would be more equitable both in terms of the environment and regional balance within the economy.

Further Comments Arising from the Revised Draft NPS

Overview

The updated material now made available and reflected in the revised draft appears to have the following effects and raises more questions than are answered;

- The combination of changing demand forecasts and methodologies for estimating direct and wider economic benefits, in practice, serves to confuse the target audience and to obscure rather than clarify any conclusions relating to the Government’s preferred scheme

- The revised content of the draft seeks mainly to reinforce the Government's preference for the third runway at Heathrow but undermines its choice by concluding the Gatwick is cheaper (and hence more affordable to build and use), more economical in the longer term and less damaging in environmental terms.
- It can be successfully argued that the remaining planning hurdles faced by Heathrow coupled with the clearly more challenging construction works makes its early delivery riskier than that of Gatwick's expansion and this factor alone would change the balance of economic advantage afforded by the options considered.
- There is no adequate explanation of why an expansion of Gatwick would threaten Heathrow's position as a hub when it is known that additional hubs can co-exist. (para. 3.19)
- The treatment of agglomeration impacts is less than clear (5.4).
- Job creation (3.28) – the growth of 114k at Heathrow compared with 21k at Gatwick by 2030 seems out of proportion and should be clarified.
- Plane load factors due to the expansion (3.20) at Heathrow and Gatwick barely compare and require explanation.
- The currently superior rail access afforded at Heathrow is clear but its further development, for example via the Heathrow Southern Rail access scheme is not guaranteed (3.38). Overall resilience, including the over-concentration of aviation in one place and the concomitant security risk should be measured. The accessibility of Gatwick has not been helped by extended disputes and the lack of progress in achieving additional rail access schemes.
- Strategic road access to Heathrow remains a most serious concern despite reports of new orbital capacity being possible beyond the notoriously congested M25.
- The suggested procedure for compliance with air quality requirements is inadequate in that it relies on the promoter to demonstrate how it will comply. It is clear that the promoter cannot overly influence the outcome given the mixed causes of air pollution. If AQ limits are breached by whatever cause, then there would need to be caps on ATMs applied and on the numbers of vehicles entering the airport together with additional mitigation measures within and beyond the airport estate.
- With surface access related caps, there is an inability of the promoter to control the nature of demand and a need to define a schedule of physical and operational mitigation measures to be funded by him with or without an overall cost cap given.
- These concluding points present serious challenges for both funding and delivering the project in a certain and timely manner and clearly add to the delivery risks for Heathrow but not for Gatwick.